



Order 97-11-32
Served: Nov. 24, 1997

**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 18th day of November, 1997

Essential Air Service at

**CHATHAM, ALASKA
FUNTER BAY, ALASKA**

under 49 U.S.C. 41731, *et seq*

**Dockets OST 97-
(46478)**

ORDER TENTATIVELY RESELECTING CARRIER

Summary

By this order we are tentatively reselecting Ward Air, Inc. to provide subsidized essential air service at Chatham and Funter Bay, Alaska for the two-year period beginning December 1, 1997, through November 30, 1999, at an annual subsidy rate of \$9,187.

Background

Ward Air, Inc. was last selected to provide essential air service at Chatham and Funter Bay, Alaska, pursuant to Order 95-12-11, issued December 8, 1995. The annual subsidy rate of \$9,187 established by that order will expire November 30, 1997.

Under our normal procedures when nearing the end of a rate term, we contact the incumbent carrier to determine whether it is interested in continuing service and whether it will continue to require subsidy. If the carrier wishes to continue service with subsidy, we usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting the carrier for a new rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order; if any such proposals are filed, we process them as a competitive case. Consistent with this practice, we invited Ward to submit a proposal for continuation of essential air service at Chatham and Funter Bay.

Carrier Service Proposal

In response to our inquiry Ward Air indicated its desire to continue to provide the historical level of service at Chatham and Funter Bay at the same annual subsidy rate of \$9,187 for a new two-year rate term. (See Appendix B to this order for a summary of the subsidy computation for the Ward Air proposal.) Ward Air will provide one round trip a week routed Juneau-Funter Bay-Juneau and once a month extend this service beyond Funter Bay to Chatham and return so as to route the flight Juneau-Funter Bay-Chatham-Funter Bay-Juneau. Service is to be provided with three-seat Cessna 185.

Essential Air Service Determination

The essential air service determination for each community, as established by Order 80-1-167, requires one round trip a week between Funter Bay and Juneau and one round trip a month between Chatham and Juneau. A maximum of two stops are permitted between Funter Bay and Juneau and three stops between Chatham and Juneau. Service may be provided with small aircraft--ten or fewer seats.

Tentative Reselection

We find both the service and the subsidy aspects of its proposal to be reasonable. In view of the above, we will tentatively reselect Ward Air to provide essential air service at Chatham and Funter Bay as detailed in Appendix C, for an additional two-year period, beginning with inauguration of the service with Cessna aircraft for an annual subsidy rate of \$9,187.

Objections or Proposals

As usual, we will allow interested parties 20 days to object to our decision and/or to file competing proposals. If no timely objections or competing proposals are filed this order will automatically become final. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague, or unsupported objections. To help any carriers interested in submitting a service proposal in this case we have summarized historical traffic at Chatham and Funter Bay in Appendix D.

Procedures for Filing Replacement Proposals

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f) and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to

provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.¹ Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

Community and State Comments

If we receive competing proposals the communities and State are welcome to submit comments on the proposals at any time.² Early in the proceeding, comments on the perceived strengths and weaknesses of the proposals would be particularly helpful to the Department, although the civic parties may also express a preference for a particular carrier or proposal option at that time, if they choose. In any event, after we conclude rate conferences with all applicants, we would provide a summary of the conferences results to the civic parties and ask them to file their final comments.³

Carrier Fitness

49 U.S.C. 41738 requires that we find a carrier fit, willing, and able to provide service before we pay it compensation for essential air service. In that regard, Ward Air has operated successfully for a number of years. The Federal Aviation Administration has advised us that the carrier

¹ The regulations applicable to each of these areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, Implementing title 31, United States Code, section 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants) implementing the Drug-Free Workplace Act of 1988; (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation--Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

² Civic parties should file an original and five copies of their comments in Docket OST-97-3134"; . Comments should be addressed to: Documentary Services Division, Docket Section, SVC121.30, Office of the Secretary, U.S. Department of Transportation, Room PL 401, 400 Seventh Street, S.W., Washington, D.C. 20590.

³ In cases where a carrier proposes to provide full essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service.

continues to possess a favorable compliance disposition. The FAA knows of no reason why we should not find the carrier fit. In addition, Ward Air remains subject to the Department's continuing fitness monitoring. Since no information has come to our attention that would lead us to question the fitness of Ward Air we conclude that the carrier remains fit to conduct the operations proposed here.

This order is issued under authority delegated in 49 CFR 1.56(i).

ACCORDINGLY,

1. The Department tentatively reselects Ward Air, Inc., to provide essential air service at Chatham and Funter Bay, Alaska, as described in Appendix C, for the period beginning December 1, 1997, through November 30, 1999;
2. The Department tentatively sets the final rate of compensation for Ward Air, Inc., for the provision of essential air service at Chatham and Funter Bay, Alaska, at \$9,187 a year, as described in Appendix C, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the ceilings per month of \$717.70 for four-week months or \$861.24 for five-week months and shall be determined by multiplying the number of subsidy-eligible arrivals and departures operated during the month by \$71.77⁴;
3. The Department finds Ward Air, Inc. fit, willing, and able to provide limited scheduled service and capable of providing reliable essential air service at Chatham and Funter Bay, Alaska;
4. The Department requests that carriers interested parties to show cause within 20 days of the date of service of this order why we should not make final the tentative findings and conclusions set forth above. Objections should be filed with the Documentary Services Division, SVC-121.30 Room PL-401, 400 7th Street, S.W., Washington, D.C. 20590. Carriers interested in filing competing proposals to serve Chatham and Funter Bay, Alaska, should submit their proposals, with subsidy requests if necessary, within 20 days of the date of service of this order. Proposals should include all the data required by section 204.4 of our Regulations (14 CFR 204.4). An original and five copies of the proposal should be sent to the EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590, with the title, "Proposal to Provide Essential Air Service at Chatham and Funter Bay, Alaska, Docket OST-97- 3134.
5. The Department directs Ward Air, Inc. to retain all books, records, and other source and summary documentation to support subsidy claims for payment and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

⁴ The annual compensation of \$9,187 divided by 128 annual arrivals and departures at 100% completion.

6. In the event timely objections or competing proposals are filed, the rate tentatively established in ordering paragraph (2) above, shall be effective as a final rate until further Department action;

7. If no objections or competing proposals are filed, all further procedural steps will be deemed to have been waived, and the carrier selection tentatively made by this order shall become effective on the twenty-first day after the date of service of this order; and

8. The Department will serve a copy of this order on the civic officials of Chatham and Funter Bay, Alaska, the Governor of Alaska, the Alaska Department of Transportation and Public Facilities, Ward Air, Inc. and the carriers listed in Appendix E.

By:

CHARLES A. HUNNICUTT
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://www.dms.dot.gov/general/orders/aviation.html>
The electronic version may not include some or all of the appendices*

EAS Map Will Be Supplied
On Request (202) 366-1055

Annual Compensation Projection
For Ward Air's Provision of Essential Air Service
at Chatham and Funter Bay, Alaska

| | |
|--------------------------------------|------------|
| Aircraft type | Cessna 185 |
| Annual Block Hours <u>1/</u> | 38 |
| Annual Arrivals/Departures <u>2/</u> | 128 |

Revenue Forecast

| | |
|---|------------|
| Passenger(FNR 52 psgrs x \$42 + CYM 1psgr x \$81) | \$ 2,265 |
| Freight (FNR 1,500lbs x \$.20 + CYM 100lbs x \$.35) | <u>335</u> |
| Total | \$ 2,600 |

Direct Costs

Block Hour

Unit Cost

(\$)

| | | |
|--------------------|-------|--------------|
| Flying Operations | 65.00 | \$ 2,470 |
| Fuel & Oil | 37.80 | 1,436 |
| Maintenance | 45.00 | 1,710 |
| Depreciation | 13.25 | 503 |
| Insurance | 44.50 | <u>1,691</u> |
| Total Direct Costs | | \$ 7,810 |

Indirect Costs

| | | |
|----------------------|-------|--------------|
| Hangar | 37.50 | \$ 1,425 |
| Overhead | 52.40 | <u>1,991</u> |
| Total Indirect Costs | | \$ 3,416 |

| | |
|------------------------|------------|
| Total Operating Cost | \$11,226 |
| Return (at 5% of TOC) | <u>561</u> |
| Total Economic Cost | \$11,787 |

| | |
|--------------------------------------|----------|
| Annual Subsidy at 100% Completion | \$ 9,187 |
|--------------------------------------|----------|

1/ Block Hours:

| | |
|-------------------|---|
| JNU-FNR-JNU | (30 min/flight x 40 flights/yr)/60 = <u>20</u> annual hours |
| JNU-FNR-CYM-JNU | (90 min/flight x 12 flights/yr)/60 = 18 annual hours |
| Total block Hours | 38 |

Footnotes continued on following page.

| | |
|---|-----------|
| <u>2/ Arrivals/Departures:</u> | |
| Funter Bay (2/week x 52 weeks) | 104 |
| Chatham (2/month x 12 months) | <u>24</u> |
| Total Chatham, Funter Bay Arrivals/Departures | 128 |

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Ward Air, Inc.
Provision of Essential Air Service at Chatham and Funter Bay, Alaska
Summary of Essential Air Service to be Provided

| | | |
|--|---|-----------|
| EFFECTIVE PERIOD | December 1, 1997, through November 30, 1999 | |
| SERVICE | To Juneau, Alaska | |
| MINIMUM FREQUENCY | One round trip a week routed Juneau-Funter Bay-Juneau and once a month extend this service beyond Funter Bay to Chatham and return so as to route the flight Juneau-Funter Bay-Chatham-Funter Bay-Juneau. | |
| AIRCRAFT TYPE | Cessna 185 | |
| TIMING OF FLIGHTS | Flights must be well-timed and well-spaced to ensure full compensation. | |
| RATE PER CHATHAM FUNTER BAY ARRIVAL/DEPARTURE ⁵ | \$71.77 | |
| MONTHLY COMPENSATION CEILING ⁶ | Funter Bay | |
| | 4-week month ⁷ | \$ 574.16 |
| | 5-week month ⁸ | \$ 717.70 |
| | Chatham ⁹ | \$ 143.54 |

⁵ Annual Subsidy \$9,187 divided by 128 annual departures = \$71.77.

⁶ Calendar weeks that fall into separate calendar months will be treated as part of the later month for the purpose of calculating both calendar weeks per month and the monthly compensation.

⁷ Rate of \$71.77 times 4 arrivals and 4 departures from Funter Bay each month.

⁸ Rate of \$71.77 times 5 arrivals and 5 departures from Funter Bay each month.

⁹ Rate of \$71.77 times 1 arrival at and 1 departure from Chatham each month.

Funter Bay-Juneau
O&D Traffic By Quarter

| | <u>Juneau to Funter Bay</u> | | | <u>Funter Bay to Juneau</u> | | |
|-------------|-----------------------------|-----------------------|----------------------|-----------------------------|-----------------------|----------------------|
| | <u>Psgrs</u> | <u>Cargo</u> (lbs) | <u>Mail</u> (lbs) | <u>Psgrs</u> | <u>Cargo</u> (lbs) | <u>Mail</u> (lbs) |
| <u>1994</u> | | | | | | |
| 1st | 3 | 490 | 951 | 5 | 0 | 173 |
| 2nd | 7 | 804 | 1,046 | 8 | 40 | 300 |
| 3rd | 2 | 300 | 336 | 4 | 0 | 60 |
| 4th | <u>8</u> | <u>640</u> | <u>1,172</u> | <u>5</u> | <u>90</u> | <u>352</u> |
| | 20 | 2,234 | 3,506 | 22 | 130 | 885 |
| <u>1995</u> | | | | | | |
| 1st | 11 | 167 | 1,365 | 6 | 70 | 219 |
| 2nd | 6 | 449 | 890 | 2 | 0 | 214 |
| 3rd | 14 | 685 | 701 | 15 | 160 | 393 |
| 4th | <u>2</u> | <u>710</u> | <u>867</u> | <u>4</u> | <u>109</u> | <u>165</u> |
| | 33 | 2,011 | 3,823 | 27 | 339 | 991 |
| <u>1996</u> | | | | | | |
| 1st | 5 | 191 | 752 | 2 | 0 | 343 |
| 2nd | 9 | 75 | 743 | 3 | 23 | 177 |
| 3rd | 5 | 232 | 744 | 12 | 10 | 216 |
| 4th | <u>10</u> | <u>80</u> | <u>930</u> | <u>7</u> | <u>0</u> | <u>197</u> |
| | 29 | 478 | 3,169 | 24 | 33 | 933 |
| <u>1997</u> | | | | | | |
| 1st | 8 | 93 | 625 | 2 | 200 | 134 |

Chatham-Juneau
O&D Traffic By Quarter

| | <u>Juneau to Chatham</u> | | | <u>Chatham to Juneau</u> | | |
|-------------|--------------------------|-----------------------|----------------------|--------------------------|-----------------------|----------------------|
| | <u>Psgrs</u> | <u>Cargo</u> (lbs) | <u>Mail</u> (lbs) | <u>Psgrs</u> | <u>Cargo</u> (lbs) | <u>Mail</u> (lbs) |
| <u>1994</u> | | | | | | |
| 1st | 1 | 20 | 43 | 1 | 0 | 4 |
| 2nd | 1 | 339 | 11 | 0 | 0 | 5 |
| 3rd | 0 | 0 | 20 | 0 | 0 | 0 |
| 4th | <u>2</u> | <u>0</u> | <u>57</u> | <u>0</u> | <u>0</u> | <u>4</u> |
| | 4 | 359 | 131 | 1 | 0 | 13 |
| <u>1995</u> | | | | | | |
| 1st | 0 | 0 | 51 | 0 | 0 | 5 |
| 2nd | 0 | 0 | 23 | 0 | 0 | 1 |
| 3rd | 0 | 70 | 35 | 0 | 0 | 5 |
| 4th | <u>1</u> | <u>187</u> | <u>38</u> | <u>0</u> | <u>0</u> | <u>5</u> |
| | 1 | 257 | 147 | 0 | 0 | 16 |
| <u>1996</u> | | | | | | |
| 1st | 1 | 33 | 208 | 0 | 0 | 25 |
| 2nd | 6 | 23 | 19 | 2 | 20 | 22 |
| 3rd | 0 | 0 | 22 | 0 | 0 | 25 |
| 4th | <u>0</u> | <u>0</u> | <u>119</u> | <u>0</u> | <u>0</u> | <u>3</u> |
| | 7 | 56 | 268 | 2 | 20 | 75 |
| <u>1997</u> | | | | | | |
| 1st | 3 | 560 | 13 | 0 | 0 | 11 |

Service List To This Order
Will Be Supplied On Request (202) 366-1055